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# Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-10 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02
LAB-04 SIL-01 OMB-01 SS-15 STR-07 CEA-01 L-03
H-01 ICAE-00 NSCE-00 INRE-00 SSO-00 PA-01 AGRE-00
EA-10 /090 W
----------067174 081802Z /45
O R 081550Z JUL 78
FM AMCONSUL BREMEN
TO SECSTATE WASHDC IMMEDIATE 2671
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY THE HAGUE

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PARIS ALSO FOR USOECD; BRUSSELS ALSO FOR USEEC

E.O. 11652: N/A
TAGS: EEC, ECON, EFIN
SUBJECT: EUROPEAN COUNCIL, JULY 6-7, 1978: EC CONCERTED
ACTION

REF: (A) BREMEN 414; (B) BRUSSELS 12711; (C) BRUSSELS 13500;
(D) BRUSSELS 12936

1. SUMMARY: THE JULY 6-7 EUROPEAN COUNCIL MEETING IN BREMEN BRIEFLY DISCUSSED THE COMMUNITY CONCERTED ACTION PROGRAM BUT FOUND AGREEMENT LIMITED TO A GENERAL STATEMENT OF PRINCIPLE
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ON THE NEED FOR EC MEMBER STATES TO TAKE NECESSARY MEASURES UNDER THEIR RESPECTIVE ECONOMIC POLICIES TO ACHIEVE A "CONSIDERABLY HIGHER RATE OF ECONOMIC GROWTH". FULL TEXT OF THE GERMAN COUNCIL PRESIDENCY'S CONCLUSIONS ON SUMMIT CONCERTED ACTION DEBATE HAS BEEN REPORTED REF (A). THIS CABLE BRIEFLY SUMMARIZES EC COMMISSION'S RECOMMENDATIONS TO THE SUMMIT CONCERNING ACTION WHICH MIGHT BE TAKEN BY

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INDIVIDIAUL MEMBER STATES AS PART OF A COMMON COMMUNITY APPROACH, AS WELL AS POSITIONS EXPRESSED BY KEY SUMMIT PARTICIPANTS. END SUMMARY.

2. IN ADDITION TO A DOCUMENT FROM THE DANISH PRESIDENCY (REF 6) SUMMIT DISCUSSION OF CONCERTED ACTION WAS BASED IN PART ON COMMISSION'S PAPER LAYING OUT PROPOSED ACTIONS BY INDIVIDUAL MEMBER STATES (REF C). IN DESCRIBING THE PAPER TO REPORTERS, A COMMSIION SPOKESMAN SAID THAT THE FRG HAD DECLINED TO ACCEPT ANY TARGETS FOR ADDITIONAL GROWTH AND THAT THE COMMISSION THEREFORE HAD TO MAKE ASSUMPTIONS CONCERNING GERMAN ECONOMIC PERFORMANCE, ON WHICH IT BASED IT PROPOSALS FOR THE OTHER MEMBER STATES. THE SPOKESMAN SAID THAT, IN THIS REGARD, THE COMMISSION POSTULATED AN INCREASE IN GERMAN GROWTH OF BETWEEN 1 AND 1.5 PERCENT DURING THE COMING YEAR, BUT THAT IT ASSIGNED NO FIGURES TO THE OTHER MEMBER STATES. THE SPOKESMAN GAVE THE FOLLOWING SYNOPSIS OF COMMISSION RECOMMENDATIONS:

(A) GERMANY: KEEPING MONETARY STABILITY IN MIND, THE FRG SHOULD SEEK TO MAINTAIN INTERNAL DEMAND THROUGH A COMBINATION OF FISCAL AND PUBLIC SPENDING MEASURES. THE COMMISSION HAS KEPT IN MIND THE POSSIBILITY THAT THE FRG MIGHT TAKE FISCAL REFORM MEASURES.

(B) FRANCE: IN CONJUNCTION WITH PRICE LIBERALIZATION, AIMED
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AT INCREASING PRODUCTIVITY OF INVESTMENT, FRANCE SHOULD CONSIDER POSSIBLE DOUBLING OF 1978 BUDGET DEFICIT, AS WELL AS ACTION IN THE SOCIAL SECTOR.

(C) ITALY: DUE TO RISK OF INFLATION, ITALY'S FIRST PRIORITY SHOULD BE REDUCTION OF PUBLIC SECTOR DEFICIT, WHICH INCREASED IN 1977, WITH A VIEW TO RESTORING CONFIDENCE AND REAL GROWTH. ACTION SHOULD ALSO BE TAKEN TO INTENSIFY PRICE CONTROLS. NO ADDITIONAL REFLATION IS EXPECTED.

(D) UNITED KINGDOM: THE UK HAS ALREADY MADE SUBSTANTIAL CONTRIBUTIONS IN ITS RECENT BUDGET, BUT MIGHT CONTEMPLATE POSSIBLE MODEST TAX CUTS TOWARD THE END OF THE NEXT 12-MONTH PERIOD, PROVIDING A COMMUNITY COMMON STRATEGY HAS BEEN PUT INTO OPERATION AND IS SEEN TO BE EFFECTIVE.

(E) BELGIUM: BELGIUM MIGHT CONSIDER A POSSIBLE SMALLER REDUCTION OF THE PUBLIC SECTOR DEFICIT THAN NOW ENVISAGED, AS WELL AS TAX RELIEF AND SOCIAL MEASURES, ALL WITH A VIEW TO STIMULATING PRIVATE INVESTMENT.

(F) LUXEMBOURG: THE 1979 BUDGET MIGHT INCLUDE TAX RELIEF AND

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SOCIAL MEASURES, AS WELL AS INVESTMENT AIDS AND INDUSTRIAL
RESTRUCTURING.

(G) NETHERLANDS: NOTWITHSTANDING THE MIDDLE TERM OBJECTIVE OF
A REDUCTION IN THE PUBLIC SECTOR DEFICIT, SHORT TERM POSSIBLITIES
EXIST FOR FISCAL AND SOCIAL MEASURES AIRMED AT INCREASING
INVESTMENT. CONSIDERATION SHOULD THEREFORE BE GIVEN TO AN
INCREASE IN THE 1978/79 BUDGET DEFICIT.

(H) DENMARK: ALTHOUGH THE MARGIN FOR MANEUVER IS VERY LIMITED,
SLIGHT POSSIBILITIES DO EXIST FOR ACTION IN THE FISCAL AND
PUBLIC SPENDING SECTORS.

(I) IRELAND: SLIGHT POSSIBILITIES EXIST FOR ACTION IN 1979,
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NOTABLY EXPENDITURES FAVORING CREATION OF EMPLOYMENT. NOT MUCH
MORE CAN BE DONE ON GROWTH, IN VIEW OF THE ALREADY HIGH
GROWTH RATE.

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AMEMBASSY THE HAGUE

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3. THE SUMMIT'S CONCLUSIONS ON CONCERTED ACTION WERE LIMITED TO A MODEST CALL FOR MEMBER STATE ADHERENCE TO A COMMON APPROACH AIMED AT HIGHER GROWTH. POINTS OF AGREEMENT WERE EMBODIED IN A GERMAN COUNCIL PRESIDENCY PAPER, APPROVED BY ALL SUMMIT PARTICIPANTS AND RELEASED TO THE PRESS. THERE WAS NO FORMAL, BINDING COMMUNIQUE. OUR SOURCES POINT OUT THAT CONCERTED ACTION TOOK A CLEAR SECOND PLACE IN SUMMIT DISCUSSIONS, BEHIND MONETARY COOPERATION, AND THAT NO CONCRETE GROWTH MEASURES WERE DISCUSSED. ONE SOURCE WENT SO FAR AS TO CHARACTERIZE DEBATE AS "UNENTHUSIASTIC".

SUMMARIES OF MEMBER STATE PRESS BRIEFINGS ON CONCERTED ACTION FOLLOW BELOW:
(A) UNITED KINGDOM: FOREIGN SECRETARY OWEN TOLD REPORTERS
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THAT, ALTHOUGH THERE WAS A SUMMIT CONSENSUS IN FAVOR OF A "CONVOY" GROWTH STRATEGY, FRG CHANCELLOR SCHMIDT MADE CLEAR THAT HIS GOVERNMENT WOULD NOT BE ABLE TO MAKE ANY COMMITMENTS ON GROWTH. OWEN SAID THAT ALL OF THE BRITISH GOVERNMENT'S DECISIONS DURING THE LAST FEW MONTHS HAVE BEEN IN THE CONTEXT OF THE AIMS OF THE BONN SUMMIT AND , AS A RESULT, THE UK'S LEEWAY FOR ADDITIONAL ACTION IS NOW A LITTLE LESS. OWEN SAID THAT THE SUMMIT DISCUSSED SHIPBUILDING AND TEXTILES AS INDUSTRIES WHERE THE EC CANNOT COMPETE ON A COST BASIS WITHOUT SUBSIDIES, BUT THAT THERE HAD BEEN NO DETAILED DISCUSSION ON THIS POINT, OR ANY CONSENSUS ON HOW FAR TO GO. OWEN'S REMARKS WERE LATER ECHOED BY PRIME MINISTER CALLAGHAN'S SPOKESMAN, WHO SAID THE COMMUNITY IS "HOLDING FIRE" ON GROWTH, WAITING FOR EVENTUAL DECISIONS BY GERMANY AND THE OUTCOME OF THE BONN SUMMIT. THE SPOKESMAN ALSO SAID THAT CALLAGHAN BELIEVES ALL MEMBER STATES SHOULD ADVANCE AT THE SAME RATE OF GROWTH, SO AS TO AVOID A TWO-TIER COMMUNITY.

(B) GERMANY:

A GERMAN SPOKESMAN SAID THAT SCHMIDT REJECTED THE COMMISSION'S RECOMMENDATION FOR A ONE PERCENT INCREASE IN THE FRG BUDGET DEFICIT (FROM 4.6 TO 5.6 PERCENT OF GNP), CITING THE FOLLOWING REASONS:
--SUCH ACTION WOULD DRIVE UP INTEREST RATES;
--IT WOULD BE BAD FOR GERMAN BUSINESS;
--IT WOULD SLOW DOWN GERMAN INVESTMENT;
--AND IT WOULD NOT BE PERMISSIBLE UNDER THE GERMAN CONSTITUTION.

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(C) FRANCE:

A FRENCH SPOKESMAN SAID THAT GISCARD SPOKE IN FAVOR OF CONCERTED
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ACTION, BUT INDICATED FRANCE WOULD BE WILLING TO PARTICIPATE ONLY IF MAJOR INDUSTRIALIZED STATES OUTSIDE THE COMMUNITY, SUCH AS THE U.S. AND JAPAN, ALSO CONTRIBUTED IN SIGNIFICANT FASHION. GISCARD SAID THAT FRANCE IS READY TO PUT INTO FORCE THE COMMISSION'S RECOMMENDATIONS BY INCREASING THE 1978 FRENCH BUDGET DEFICIT FROM 10 TO 20 BILLION FRANCS, WITH A VIEW TO STIMULATING DEMAND. THE SPOKESMAN ALSO QUOTED GISCARD AS SPEAKING IN FAVOR OF "CONVOY" RATHER THAN "LOCOMOTIVE" GROWTH STRATEGY FOR THE COMMUNITY.

(D) ITALY:

PREMIER ANDREOTTI TOLD REPORTERS THAT, IN THE ITALIAN VIEW, GROWTH SHOULD BE ADDRESSED BEFORE MONETARY PROBLEMS. HE EMPHASIZED THAT CONCERTED ACTION SHOULD CONCENTRATE AS WELL ON REGIONAL AND SOCIAL POLICY, YOUTH EMPLOYMENT, INDUSTRIAL RESTRUCTURING, ECONOMIC CONVERGENCE, AND CURRENT IMBALANCES IN AGRICULTURAL POLICIES.

4. SEE SEPTELS FOR ACCOUNTS OF SUMMIT DISCUSSION OF ENERGY AND COMMON AGRICULTURAL POLICY. SCHIFFMAN

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# Message Attributes

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